



# KPMG Regulatory Centre of Excellence

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## KPMG in South Africa

*Regulatory Updates till for the week ended 7 June, 2019*

### FinWatch – A Weekly Newsletter

Find the latest edition of **FinWatch** which provides a gist of all regulatory developments impacting the financial services industry in South Africa.

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## Regulatory Developments

### Others

#### **An address by Lesetja Kganyago, Governor of the South African Reserve Bank, at the African Economic Research Consortium**

Lesetja Kganyago, Governor of the South African Reserve Bank, addressed the African Economic Research Consortium on “Growing with Debt in African Economies – Options, Challenges and Pitfalls”. Kganyago reflected on the role played by public debt in economic development and the importance of sustainable debt financing. He highlighted that unsustainable debt burdens and rising debt service costs crowd out spending in key development areas such as education, health and infrastructure. He further emphasised the need for countries to strengthen debt management practices and improve transparency, which is fundamental to sustainable financing. [Link](#)

#### **General Data Protection Regulation: one year on**

The General Data Protection Regulation came into application on 25<sup>th</sup> May 2019. To mark the occasion, Andrus Ansip, Vice-President for the Digital Single Market and Věra Jourová, Commissioner for Justice, Consumers and Gender Equality, issued a statement. [Link](#)

#### **Umbrella funds to disclose costs at individual member level from next year**

The Association for Savings and Investments South Africa (ASISA) will be implementing the new Retirement Fund Standard: Effective Annual Cost (EAC) for Individual Fund Members. Post the implementation of the standard, members of umbrella retirement fund solutions will

be able to assess the total impact of charges on their individual retirement benefits from next year October. ASISA member companies offering umbrella retirement fund solutions will start developing and implementing systems to enable disclosure at member level. The EAC enables consumers and advisers to compare charges and their estimated impact on investment returns in a meaningful way irrespective of whether the product is a unit trust, a living annuity, a retirement annuity or an endowment policy. [Link](#)

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## Market Developments

### International

#### **FCA confirms new rules for P2P platforms**

The Financial Conduct Authority (FCA) has published new rules and guidance to improve the quality of the information available to consumers about their investments funds:

- More explicit requirements to clarify governance arrangements, systems and control platforms needed to support the outcomes, focusing on credit risk assessment, risk management and fair valuation practices;
- Strengthening rules on plans for the wind-down of P2P platforms if they fail;
- Introducing a requirement that platforms assess investors' knowledge and experience of P2P investments without any advice;
- Setting out the minimum information that P2P platforms need to provide to investors;
- Applying the Mortgage and Home Finance Conduct of Business (MCOB) sourcebook and other Handbook requirements to P2P platforms that offer home finance products, where at least one of the investors is not an authorised home finance provider. [Link](#)

#### **ASIC amends relief conditions for superannuation and retirement calculators**

ASIC has amended ASIC Corporations (Generic Calculators) Instrument 2016/207 to ensure that estimates produced by superannuation and retirement calculators are adjusted for inflation. The amendments require superannuation and retirement calculator providers to adjust for inflation in estimates by using either:

- The default inflation rate set out in the instrument for superannuation and retirement calculators
- An alternative inflation rate, as long as certain disclosure requirements are met.

[Link](#)

#### **A discussion paper on central counterparty default management auctions**

The Bank for International Settlements (BIS) published a discussion paper on central counterparty default management auctions. The paper established the importance of central counterparties in the financial system, in mitigating contagion in the event of a participant default. It aims to:

- Facilitate the sharing of existing practices and views on default management auctions;
- Foster dialogue on the key concepts;

- Processes and operational aspects used by CCPs in planning; and
- Executing effective default management auctions. [Link](#)

### **Concentration in cross-border banking**

The Bank for International Settlements (BIS) published a quarterly review on the topic “Concentration in cross-border banking”. Key takeaways from the publication stated that:

- A small number of very large cross-border links dominate global cross-border bank credit. Only 2.4 percent of all bilateral links between banks in one country and borrowers in another were greater than US\$50 billion in size at end-2018, but they constituted a full two thirds of global cross-border bank credit volumes;
- Concentration in cross-border bank credit is mainly due to links involving advanced economies. Five major creditor countries namely France, Germany, Japan, the United Kingdom and the United States account for 55 percent of global cross-border credit and close to 70 percent of the volume of the largest bilateral country-level links;
- Concentration is a structural feature of cross-border bank credit and the concentration in interbank links is high; and
- Small cross-border links account for an insignificant share of global bank credit but can be economically important for emerging market economies. [Link](#)

### **ASIC consults on proposals to maintain investor protections by restricting retail offers of ‘stub-equity’ in control transactions**

ASIC issued a consultation paper seeking feedback on proposals to address concerns with offers of stub-equity to retail investors in control transactions. Stub-equity is offered as consideration under a takeover or scheme of arrangement which consists of securities or interests in an unlisted bid or holding vehicle that provides offerees the option to retain continued economic exposure. ASIC is proposing to execute a legislative instrument which will modify the law to address its concerns with offers of proprietary company scrip under a takeover bid or scheme of arrangement. [Link](#)

### **FCA confirms biggest shake-up to the overdraft market for a generation**

The Financial Conduct Authority (FCA) is introducing reforms to fix a dysfunctional overdraft market which will make overdrafts simpler, fairer, and easier to manage and will protect the millions of consumers that use overdrafts. As per the announcement, FCA will:

- Stop banks and building societies from charging higher prices for unarranged overdrafts than for arranged overdrafts;
- Ban fixed fees for borrowing through an overdraft – calling an end to fixed daily or monthly charges, and fees for having an overdraft facility;
- Require banks and building societies to price overdrafts by a simple annual interest rate;
- Require banks and building societies to advertise arranged overdraft prices with an APR to help customers compare them against other products;
- Issue new guidance to reiterate that refused payment fees should reasonably correspond to the costs of refusing payments; and

- Require the banks and building societies to do more to identify customers who are showing signs of financial strain or are in financial difficulty, and develop and implement a strategy to reduce repeat overdraft use. [Link](#)
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